

Statement of Corporate Intent

2006/07

June 2006



Agreement

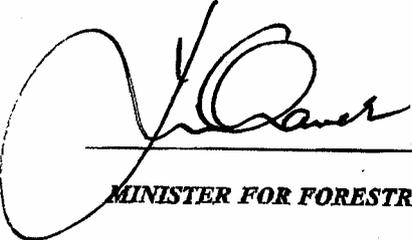
This Statement of Corporate Intent describes how the Forest Products Commission intends to achieve its financial, environmental and social objectives in the 2006/07 financial year. This Statement meets the requirements of the *Forest Products Act 2000* and represents the agreement between the Minister for Forestry and the Forest Products Commission as to the expected level of performance from the Commission during the year.

The Statement of Corporate Intent is consistent with the Strategic Development Plan which provides a five-year view of the Commission's planning.

Within its one-year framework, the Statement of Corporate Intent provides an overview of the main functions of the Forest Products Commission, the key factors affecting operations, business objectives, resources required and performance monitoring and reporting.

The Statement may be amended upon authorisation from all parties. This provision will allow major unanticipated issues to be addressed and places an onus on the parties to communicate any significant changes.

In accordance with the *Forest Products Act 2000*, together with the Treasurer's concurrence, the Minister for Forestry and the Commission agree to the content of this Statement of Corporate Intent.



MINISTER FOR FORESTRY



CHAIRMAN

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Foreword

The Statement of Corporate Intent 2006/07 (SCI) has been developed collaboratively by staff and endorsed by the FPC's Board of Commissioners.

The SCI provides the specific objectives of the FPC and is complementary to the Strategic Development Plan which provides an overarching direction and objectives of the FPC for the next five years (2006/07-10/11). It is from the SCI that more detailed, tactical business plans at Divisional and Branch level are developed to achieve our objectives and report on performance.

The key initiatives of the Commission in the SCI are to:

- consolidate the FPC's operating performance to deliver consistent financial returns to Government;
- increase softwood log production supplying local industry;
- encourage the expansion of new tree farm estates in agricultural areas to enable sustainable development of regional timber processing industries;
- utilise more native forest residues for furniture, craft and other local industries;
- continue to develop fee-for-service forestry management services; and
- sustain Western Australian sandalwood as a high-value business.

Where we are now

Since its establishment in November 2000, the operating conditions of the FPC have changed dramatically. The State Government's *Protecting our Old Growth Forests Policy*, introduced in 2001 and reflected in the Forest Management Plan of 2004-2013, capped the harvest of jarrah and karri sawlogs at 185,000 cubic metres compared to 700,000 cubic metres under the previous Forest Management Plan.

This change had a major impact on the FPC operations and financial performance and also resulted in a restructure of the timber processing industry. The FPC is acutely aware that its inability to deliver sufficient and consistent financial returns in the past requires continued focus on achieving a balance between financial outcomes as well as environmental and industry development outcomes.

The FPC is also subject to its five year statutory review in 2006 and will use this opportunity to establish strong alignment of FPC strategic directions with broad Government policy.

The native forest industry's operating environment has stabilised, with further growth opportunity in new markets for log residue of the harvesting process. Contracts for the supply of native timbers and their products are secure for the next eight years of the Forest Management Plan.

With the decrease in the amount of native timbers available, the Commission has shifted its focus to new plantation based industries. This requires the growing of a new resource. As with the establishment of the Tasmanian bluegum industry in the 1980s, Government provided the leadership, and the private sector embraced this new industry, which has expanded into a major economic driver for the State.

The FPC is now focussing on encouraging the establishment of new pine, eucalyptus and sandalwood plantations in low to mid-rainfall areas to provide a timber resource to support local and export demand. The establishment of plantations in the low to mid-rainfall areas will increase the State's

timber resource and provide the potential for the development of new processing industries. In addition to these timber values the establishment of pine, eucalyptus and Western Australian sandalwood plantations will provide real environmental benefits by addressing salinity and waterlogging issues. The FPC has also developed wide ranging industry plans for four regional areas of Western Australia, which identify the best species for local growing conditions, and establishes plantation targets to stimulate the development of downstream processing. The implementation of these industry plans will result in increased employment opportunities for regional areas and resulting social benefits.

The commercial growing of trees in these areas is unlikely to be viable on the value of the timber alone and will need to be supplemented by other financial returns such as salinity credits and carbon trading. The financial returns of these values is beginning to emerge, in particular through the *National Action Plan on Salinity and Water Quality* (NAP) which is funding programs to address dryland salinity and water quality issues across Australia. The “financial returns” from sequestering carbon through afforestation are also emerging with various organisations looking to voluntarily sequester their carbon emission equivalents through FPC managed plantations.

Our Changing Environment

The Commission operates in a dynamic environment which is influenced by domestic and global market forces and evolving government policies relating to water use, salinity, climate change and forestry.

While some of these factors can be accounted for in contingency planning, dynamic changes in the operating environment of the FPC require careful management to ensure the FPC meets all its objectives.

At the core of the FPC’s business is its ability to meet the timber supply contracts it has in place with its customers, to ensure that local industries can continue to operate. The delivery of the resource to customers involves FPC entering into service contracts such as harvesting and transportation. In conducting these operations on State forests, FPC is required to meet conditions of the Forest Management Plan, many of which are more stringent than previously applied.

As a Government Trading Enterprise (GTE), the FPC does not attract funding from the State Government from general revenue, but meets its operating costs from the income received from its commercial activities. Capital investment is funded through long-term debt arranged through West Australian Treasury Corporation and serviced by the FPC.

The commercial returns from plantations in the low to mid rainfall zones are insufficient to support long-term debt. The FPC is looking to match the Government’s objective of encouraging plantation establishment into the low to mid-rainfall areas of the State with the financial return objectives of external investors. The FPC’s knowledge and experience in forest management can be provided to the external investment market on a “fee-for-service” basis. The various combinations of tax, timber, salinity and/or carbon values provide a financial return to the investor. The FPC is clear in its strategy to provide “fee-for-service” forestry services to this sector. The services the FPC will provide are limited to forestry science and plantation establishment services.

In this regard the FPC has successfully reached agreement to provide plantation forestry services to a private sector investment company (Premium Plantations 05) wishing to invest in plantations with an initial planting planned for 2006.

The FPC sees the opportunities for forestry in helping offset carbon emissions. While Australia is not a signatory to the Kyoto Protocol, many companies, particularly large carbon emitters, are looking at carbon-friendly options to offset these emissions. The FPC is looking to meet this need by developing forestry products ranging from provision of forest management services to encouraging investment in forestry.

Recognition of all non-commercial benefits of these programs (e.g. salinity) may be required for their success. External funding sources also include State or Federal monies available through programs such as National Action Plan (NAP). The FPC has been vigorously promoting its Strategic Tree Farming initiative to be included within the NAP for more than three years. The success of these efforts will have a major impact on the FPC's ability to deliver its objectives to establish tree farming in low to mid-rainfall areas.

Under various State agreements for the supply of resource to the State's various softwood mills, the FPC must ensure that the size of the plantation estate is maintained such that the State's commitments can be met. The size of the FPC plantation estate is under ongoing pressure from competing land uses requiring the FPC to acquire new plantation land to replace that which is lost. To ensure the estate is maintained, land lost to competing land uses must be replaced. The existing radiata estate is only sufficient to supply resource for the remaining term of the agreements. To extend the agreements past their existing term additional resource must be established now.

In addition, increasing domestic demand for sawn timber will be met by additional imports unless additional estate is established. The financial returns to the grower, be that the State or private, are not sufficient to encourage investment in establishing additional resource. In fact there is little private or State investment in expanding the radiata pine estate currently. The strategy to address the issue of the future supply to the established sawlog industry will be developed by the FPC, Department of Industry and Resources and the industry itself.

The FPC also has a unique role as a GTE which is commercial in its focus and its role as an important research arm to achieve State Government objectives for environmental issues such as waterlogging and salinity.

Our Business – What we do

The Forest Products Commission, Western Australia was established in 2000 as a State Government trading enterprise responsible for managing the State's forest resources in the best possible way to maximise social, environmental and economic outcomes. The FPC:

- harvests and sells logs and forest products from State-owned native forests;
- harvests and sells logs and forest products from State-owned plantations;
- regenerates (re-plants) State-owned native and plantation forests;
- manages trees on farms in cooperation with land owners;
- provides advisory and plantation management services to plantation investors;
- assists in the development of Government strategies to encourage tree farming and plantations in low to mid-rainfall areas;
- identifies new and better ways to grow and harvest forests and to maximise the value of all forest products;
- provides strategic advice to Government regarding forestry in Western Australia; and
- works with industry to develop high-value uses for Western Australian timbers.

The FPC's Commitment to a Sustainable Future

The Western Australian Government in September 2004 released a "Sustainability Code of Practice for Government Agencies" which provides the following definition of "sustainability".

"Meeting the needs of current and future generations through an integration of environmental protection, social advancement and economic prosperity".

The FPC has adopted the above definition for the purposes of defining its sustainability strategies.

Major Planned Achievements for 2006/07

2006/07 is an important year to the FPC. A major focus during the year will be the statutory review into the FPC legislation. FPC wishes to use the review process to ensure strong alignment of Government policy and FPC strategic objectives, ensuring the Forest Products legislation provides the basis to achieve its outcomes. With this in mind, the major planned achievements for 2006/07 are:

- Deliver on the NAP program establishing 3,600 hectares of new tree plantations in catchment areas.
- Continue to develop "fee-for-service" forestry services into the emerging carbon and salinity markets.
- Work with industry to achieve improved financial returns to plantation owners to encourage an increased radiata plantation estate.
- Promote regional plantation development plans outlining a strategic approach to establishing industry sustaining plantation estates.

Social

The FPC's suite of programs and products provide social outcomes as well as financial returns.

The FPC will guide the establishment of a plantation resource in rural areas sufficient to attract infrastructure and provide opportunities for employment in regional communities.

Environmental

The FPC will undertake its activities strategically using EMS processes that optimise benefits for the environment and reduce impacts from actions. Its activities will play a key role in protecting the State's land, water and biodiversity assets through the provision of environmental services which include the following:

- reductions in rising groundwater and salinity;
- improvement of water quality;
- important indirect or downstream benefits to biodiversity by reducing the threat of rising water tables on wetlands or reserves of remnant vegetation.
- provision of renewable energy sources; and
- provision of carbon sinks to offset greenhouse emissions.

Economic

The FPC will work in partnership with industry, the community and other Government agencies to establish a long-term, viable timber industry. This will be achieved through sound management of existing resources, actively pursuing future investment opportunities, and seeking new economic and policy mechanisms to support the industry in the longer term.

The FPC's overall economic focus is to:

“Achieve sustained growth; profitability and longevity for the industry and FPC”

Vision Statement

To be a leader in achieving an environmentally sustainable and commercially viable forest products industry providing economic and social benefits to the people of Western Australia.

Mission Statement

To contribute to Western Australia's economic and regional growth by:

- *developing the sustainable use of the State's plantation and native forest resources;*
- *promoting innovation and local value adding for these resources; and*
- *achieving appropriate returns to the State for the use of publicly owned and Forest Products Commission-managed plantation and native forest resources.*

Values

Achievement	:	We will deliver good service.
Innovation	:	We will be creative and innovative in meeting our objectives.
Leadership	:	We will provide leadership to assist in the development and restructure of the timber industry.
Customer Focus	:	We will understand and meet our customers' needs.
Environmental Responsibility	:	We will adhere to sustainable management in accordance with the Commission's Management of the Environment Policy.
Accountability	:	We will adhere to processes that are understood and measured.
Integrity	:	We will act honestly and ethically in accordance with the Commission's Code of Conduct.

Key Elements

The key elements of the five-year strategic direction for the Forest Products Commission are:

Sustainability

- delivering a sustainable forest products industry in Western Australia;
- maximising the sustainable use of forest residues, including waste reduction and value adding; and
- being a recognised provider of environmental services ¹ and benefits.

Government Policy

- creating a growing plantation business with a reduced native forest activity;
- achieving returns within the limits set by Government, through planned investment in and use of our renewable resources, both native forests and plantations;
- addressing the social and economic impacts of old growth forests policies;
- ensuring effective communication with government, industry and community;
- consolidating forest products activities and relationships across government agencies; and
- measuring outcomes and demonstrating financial and non-financial dividends to the State.

Profitability

- being commercially strong and market focussed;
- achieving a profitable, resource-based organisation with a clear market orientation;
- fully utilising the available forest resources;
- creating new business areas and diversifying into new markets;
- developing a strategic marketing plan for our products;
- providing a broader revenue base; and
- securing greater control of our resources.

Leadership

- being the leader in the development of a sustainable timber industry;
- achieving international recognition for good practice; and
- gaining acknowledgement for the wider benefits we deliver – social, economic and environmental.

Organisational Style

- being an innovative organisation that moves in new directions and operations in non-traditional ways;
- demonstrating a clear understanding of our core business;
- focusing on our vision, mission and values;
- developing our intellectual capital;
- achieving recognition as a quality employer; and
- ensuring health and safety in the workplace.

¹ Environmental services of plantations include the following values or outcomes:

- objectives and initiatives listed under the environmental section.

Objectives, Strategies and Performance Targets

The *Forest Products Act 2000* requires that the Statement of Corporate Intent must specify an outline of objectives, the proposed arrangements to facilitate those objectives and performance targets and other measures by which performances may be judged. In accordance with section s31(2)(a) objectives, strategies (s31(2)(b)) and performance targets (s31(2)(d)) are defined for the year 2006/07.

The *Forest Products Act 2000* establishes two objectives that are to be included in the Statement of Corporate Intent:

1. the long-term viability of the forest products industry;
2. the application of the principles of ecologically sustainable forest management set out in section 12(2) (of the *Forest Products Act 2000*) in the management of indigenous forest products located on public land;

and also defines the principle that the Commission must try to ensure that a profit that is consistent with planned targets is made from the exploitation of forest products whilst ensuring that these two objectives are met.

These broad objectives, and the principle relating to profit, have been further developed to provide clear goals, strategies, objectives and performance targets. They have also been aligned to be consistent with the Government's forest policy.

Goals, Strategies, Objectives and Performance Targets

Goal 1 Plantations

As a result of the issues discussed relevant to business environment, plantations have become the dominant business activity of the FPC in terms of volume and the most significant opportunity for growth. Within the plantation business, two separate strategies are developed to establish a new plantation resource to meet growing timber demand, and to increase the returns from existing mature plantation estates.

The overall goal for plantation business in the FPC is:

To develop the FPC's plantation business providing forest products and environmental services at scales relevant to market opportunities and environmental needs.

Strategy 1.1 New Tree Farms and Plantations

To meet the increasing long-term demand for structural grade timber and to ensure sufficient resource is available should existing State Agreements for the supply of timber to the State's timber mills be extended, the plantation resource will need to be extended.

The strategy to achieve this encompasses expanding the tree farm and plantation estate to service existing industry and into new areas where processing industry has not yet developed to any significant level. The opportunities for expanding this estate are large, but investment based on timber alone in areas of low to medium rainfall, remote from existing markets, is not likely to be possible. In this plan, the FPC is pursuing a scenario of integrated investment based on traditional forest products (timber, fibre, biomass, oils etc.) plus environmental services (watertable control, including salinity, carbon sequestration). It is noted that controlling water tables is a tool for protecting biodiversity, water resources and community infrastructure at a regional scale.

The new tree farms strategy contemplates high levels of investment, to achieve the scale of plantations necessary to support new timber industries and to effectively contribute to water management for the protection of water resources, conservation values and infrastructure. The source of the funding will be through both public and private sources. The scale of plantation development is directly linked to the level of funding.

The scale of new plantations necessary will be achieved over time through Government programs such as the NAP and from private investment in plantations. The FPC will, through its strategic tree farming program, guide the expansion of new plantations to achieve the best industry and environmental outcomes.

Elements of the new tree farms and plantation strategy also contribute to providing replacement plantation estate lost to competing land use. Much of the plantation establishment activities in the mid-west region of the State are to establish a new pine resource for the Gnangara pine estate that is not to be replanted to pine once clearfelled.

The strategy also encompasses the establishment of Western Australian sandalwood (*Santalum spicatum*) plantations as a replacement resource to support the sandalwood industry. The evaluation of tropical sandalwood (*Santalum album*) in the Kimberley region and elsewhere will continue.

The Commonwealth has agreed on the terms and conditions of the NAP program; \$32 million will be provided from 2006 to 2008 for the establishment of 18,000 hectares, provided the State contributes an equal amount to the program. In reaching this agreement with the State, the Commonwealth has refused to retrospectively recognise the amount spent on the 3,900 hectares already established under this program by the Commission.

The recent Western Australian State Budget provided financial certainty for FPC's Strategic Tree Farming initiative.

Under these new arrangements FPC will continue to use its approved borrowings program to fund the Strategic Tree Farming initiative, though the associated debt servicing costs will be funded back to the FPC as a Community Service Obligation. An additional \$10.7 million has been approved to bring the total State contribution for the Strategic Tree Farming initiative to \$32.2 million. This \$10.7 million will be channelled through the Department of Agriculture and Food's Natural Resource Management Office. The FPC, through the Minister for Forestry, will continue to seek Commonwealth Government recognition of prior year's expenditure on the NAP program.

The strategy adopted for this area of business is:

To establish viable tree farm estates within identified cells to enable sustainable development of regional timber processing industries and to deliver significant regional environmental services.

Objectives

- Develop a commercially viable tree farm estate of a scale that will support a competitive processing industry in the quickest feasible timeframe.
- Target new plantation initiatives to locations that will reduce the area of land that is or has the potential to be affected by salt and waterlogging.
- Develop new commercial species options to broaden the opportunity for the use of new plantations.
- Develop and pursue the provision of "fee-for-service" forestry services to the emerging markets in salinity, amelioration, carbon sequestration and plantation investment.
- Expand the sandalwood plantation resource.
- Review and refine existing Tree Farming and Industry Development Plans in light of industry and environmental conditions.

Financial

- Target 1** Actual expenditure not to exceed approved funding.
- Target 2 New plantation establishment** To increase investment and funding for tree crops.

Process

- Target 1 New plantation establishment²** Funds secured and areas established in each year by region.

Planting Regions

Year	Funding Source	Midwest	Collie	Katanning	Albany	Esperance	Total
2006	State/NAP	1250	650	350	500	850	3600
	Private		300	200	350		850
	Total	1250	950	550	850	850	4450

- Target 2 Establishment success** Less than 10% of the planted estate requires infilling each year.
- Target 3 Environmental Management System** 100% of EMS incidents are closed on time.
- Target 4 Carbon** Develop forestry based carbon product to meet emerging voluntary carbon market.

Customer

- Target 1 Industry development**
- Tree Farming Industry Development Plans completed for all planting regions in 2006/07, in consultation with community, industry and government stakeholders.
 - Develop a carbon product to meet emerging carbon markets.

Learning and Growth

- Target 1 Research and development** Annual review of investment in and reporting on research programs to align with strategic directions.

Environmental

- Target 1 Environment** Measurable reduction of watertable height in salt affected areas.
- Target 2 Stakeholder communication** FPC strategic tree farming to be included in all relevant Regional Investment Plans.

² The achievement of indicative planting levels set in Target 1 (State/NAP) is conditional on the availability of both the State and Federal funds under the NAP program. Private planting levels are condition on Plantations 05 raising adequate investor funds to support program.

Strategy 1.2 Mature Plantation Estate

This strategy relates to established plantations (largely *Pinus radiata* and *Pinus pinaster*) from Wanneroo to Manjimup where both the resource and its processing industry are significantly mature. The strategic direction is one of consolidation and maximising the returns from the plantation asset. Some plantations within this estate will, because of public land use decisions, be removed from plantation production. In particular, Gnangara, Pinjar and Yanchep are not currently planned to be replanted after clearfell, and will be replaced by new tree farm estate, and Peel and Ludlow will also be removed from plantation land use.

To meet future timber demand and to ensure sufficient resource is available should State Agreements need to be extended, profitable private and public expansion of the estate is required. This can only be achieved if returns to the grower (public or private) can be increased such that investment returns are attractive. This will require an industry-wide response and may involve other Government agencies, e.g. Department of Industry Resources. Strategies will include price increases, improved plantation land ownership arrangements and Government support. The FPC will also seek to establish a market for the established radiata product from the Albany region where there exists no processing industry. The strategy for the mature plantation estate is:

To maximise the commercial return for FPC's existing products, and where viable expand the resource base supplying the established industry.

Objectives

- Maximised log production and financial return from the plantation estate.
- Improve plantation productivity.
- Improve financial returns to FPC to stimulate private and Government investment in new plantations.
- Work with other arms of governments to establish strategies to increase the radiata estate to meet growing timber demand.
- A secure plantation estate in both the short and long-term, compatible with other land use objectives.
- Reduce the impact on watertable levels in targeted areas of the Gnangara Mound.
- Ensure our activities have no adverse effects on water quality.
- Ensure plantation estate is adequately protected from disease, pests and fire.
- Clear backlog in plantation work, including second rotation planting of radiata and of thinning.
- Ensure compliance with State and national sustainable forest practices.
- Promote opportunities for developing renewable energy sources.

Financial		
Target 1	Sales	By the development of new markets and increased recovery, plantation product sales increase to 0.9 million tonnes by 2007.
Target 2	Plantation estate	Private/Government funding secured to enable profitable expansion of <i>P. radiata</i> estate increase by 2,500 hectares by 2010.
Target 3	Returns	Sawlog stumpage returns increase sufficient to encourage new investment in radiata estate.
Target 4	Operating performance	Actual financial performance meets or exceeds, approved targets (refer to Appendix C5, page 36).
Process		
Target 1	Establishment success	Less than 10% of the planted estate requires infilling each year.
Target 2	Environmental Management System	100% of EMS incidents are closed on time.
Target 3	Replanting	At least 70% of clearfell area replanted in current year.
Customer		
Target 1	Deliveries	Deliveries against orders are monitored and variance of no more than 5% on a two week period and 0% over full year.
Target 2	Water quantity	Prioritise removal of pine plantations in Gngangara Mound in agreement with the Department of Water and Environment.
Target 3	Water quality	100% compliance with Public Water Catchment requirements.
Target 4	Renewable energy	Quantity of renewable energy produce sold will be maintained or increased.
Target 5	Sustainability	Compliance with Forest Management Plan.
Learning and Growth		
Target 1	Staff skills	See Strategy 3.3 – Corporate Services (page 20).

Goal 2 Native Forests

The FPC's access to forest product resources from native forest on public lands includes a range of species from south-west forests, together with sandalwood and a range of timbers from the arid zones of the State. Given the nature and scale of the separate resources and the different issues involved, these resources are covered by separate strategies for development. In each case, the focus is on high value end products, with an emphasis on employment and manufacturing within the State of Western Australia. This is reflected in the goal:

To develop a profitable native forest products business to produce timber for the high value manufacturing industry in Western Australia.

Strategy 2.1 South-West Forests

This strategy covers the management and harvesting of native forest species of jarrah, karri and marri and the downstream processing and manufacturing industry it supports. The following strategy, targets and initiatives are based on the Forest Management Plan's approved sustainable yield levels of 131,000 cubic metres and 54,000 cubic metres per annum of jarrah and karri first and second grade sawlogs respectively, plus the quantities of other grades and species relevant to this level of cut.

The sales of native timber are to local customers with a focus on local processing and high value uses in line with Government policy to encourage value adding to a limited resource. The supply of native timber to local industries ensures ongoing employment in regional communities.

The strategy for south-west forests under this scenario is:

To promote sales of log timber into local industry to achieve maximum employment in relevant industries and communities.

Objectives

- A viable and sustainable local processing industry based on downstream manufacturing in line with Government policy.
- A FPC business providing timber to industry in a profitable manner matched to the resource available.
- Maximum use and utilisation of all timber available for harvest.
- Ensure forest practices are compliant with State and national sustainable forestry practices.
- Timely delivery of log timber to meet customer requirements in line with seasonal harvesting limitations.

Financial

Target 1	Sales	<ul style="list-style-type: none">• Contracts for sale of 50% of the allowable gross volume by 2006, rising to 60% by 2010.• Fully achieve contract commitments by delivering 100% of the FMP allowed first and second grade sawlogs over any three year period.
Target 2	Operating performance	Actual financial performance meets approved targets (refer to Appendix C5, page 36).

Process

Target 1	Regeneration	Regeneration of harvested areas within time limits as specified in the Forest Management Plan
Target 2	Forest access	Continue to access forest areas without exceeding soil disturbance thresholds.
Target 3	Environmental Management System	100% of EMS incidents are closed on time
Target 4	Value adding and Employment	Ensure customer compliance with contractual value adding commitments.
Target 5	Sustainability	Compliance with Forest Management Plan.

Customer

Target 1	Deliveries	100% of deliveries against annual orders and monthly delivery targets.
Target 2	Community consultation	Consultation on 100% of areas harvested

Learning and Growth

Target 1	Staff skills	See Strategy 3.3 – Corporate Services (page 20)
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Strategy 2.2 Arid Forests

Western Australian sandalwood remains a stable, high-value resource, used both for domestic processing for sandalwood oil (used in perfumes and pharmaceuticals) and mosquito sticks and for export markets (traditionally incense). The harvesting of Western Australian sandalwood is managed in a sustainable way with a limited annual harvest volume and appropriate regeneration processes. The FPC is the only organisation permitted to harvest the State's sandalwood resource, and as such looks to ensure the limited production is made available to local and overseas markets. The sandalwood export market is a profitable market, however, is subject to volatility, whereas the local processing industry is developing. The FPC seeks to ensure suitable supplies are made available to the local market to allow local industry to develop while taking advantage of the more lucrative overseas export markets. Long-term expansion will be through the development of plantations of the Western Australian and Indian sandalwood species.

The FPC will continue to explore the commercial viability of supplying other desert species into high value niche markets.

The strategy for this resource is:

To expand Western Australian sandalwood and desert timbers as a high-value business, by demonstrating the sustainability of the native harvest and investing in plantation development.

Objectives

- Consolidation and expansion of existing and new markets to provide stability and diversity, increased profits and appropriate levels of local value adding.
- Demonstrate the maintenance of sustainability.
- To access high value niche markets capable of processing 1,000 tonnes of arid timbers per annum.
- Operations able to deliver forest products from woodland areas at a competitive price.
- Review the sandalwood supply chain including value added processing and marketing.

		Financial
Target 1	Operating performance	<ul style="list-style-type: none"> • Actual financial performance meets approved targets (refer to Appendix C5, page 36). • Optimise the product mix to maximise return.
		Process
Target 1	Utilisation	Maintain utilisation of roots at least at 7% of total green production per annum.
Target 2	Sustainability	<ul style="list-style-type: none"> • 100% of green harvest operations receive regeneration treatment. • Complete Western Australian sandalwood sustainability plan by 2007.
Target 3	Environmental Management System	100% of EMS incidents are closed on time.

Customer

Target 1	Local industry	<ul style="list-style-type: none">• Supply at least 50% of green production for local processing.• Incremental local sales to be export parity prices.
Target 2	Deliveries	98% of deliveries to specification.
Target 3	Community consultation	Consultation on 100% of areas harvested

Learning and Growth

Target 1	Staff skills	See Strategy 3.3 – Corporate Services (page 20)
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Goal 3 Overarching and Support Services

A number of strategies are common to the achievement of both plantations and native forest operational goals, and their directions are dependent on the directions achieved for the primary goals. The goal established, therefore, for overarching and support services is to:

Ensure overarching and support services are relevant and focussed to achieving the FPC core business strategies.

Strategy 3.1 Plant Propagation Centre

The Plant Propagation Centre (the Nursery, Seed Centre and Tree Breeding Sections) strategy is to support FPC and other tree planting programs by providing seed and high quality propagules through the deployment of improved genetic resources, “state of the art” technology, aiming for a high level of operating efficiency, recognising environmental and social obligations and maintaining good relations with its customers.

Objectives

- Propagate a range of tree and plant species consistent with FPC’s programs to enhance the timber industry and improve environmental values in Western Australia, provide high quality tree species that are adapted to a range of environments and to supply internal (as a priority) and external clients with products.
- Provide high quality seed to the Nursery Section and external customers and develops methods of deploying genetically improved material.
- Conduct tree breeding programs designed to provide tree species and genotypes consistent with the commercial, environmental and social objectives of FPC tree planting programs.
- Pursue profitable third party sales of seed and seedlings.
- Operate such that seed and seedlings are produced in a cost effective manner.

Strategy 3.2 Operational Support

The Forest Practices Office and the Sustainable Forest Management Section will ensure operational systems are maintained and enhanced by developing silvicultural and environmental procedures aligned to identified significant risks, good silvicultural management while adhering to standards and legal obligations.

Objectives

- Develop operational controls (codes/manual/procedures) consistent with good forest management practice and ensure compliance.
- Develop a cooperative relationship with the Department of Conservation and Land Management (CALM) to implement the requirements of the Forest Management Plan, the Forest Products Act and the CALM Act.
- Maintain the Environmental Management System to the ISO14001 standard.
- Subject to Government and industry support commence activity to achieve AFS certification.

Financial		
Target 1	Annual operating profit	Operating result meets or exceeds target performance over period 2005/06.
Target 2	Commercial benefits	Tree breeding programs will demonstrate commercial viability over the period 2005/06.
Process		
Target 1	Environmental management	<ul style="list-style-type: none">• EMS to ISO standard 14001 will be applied to all activities undertaken by FPC and its contractors by July 2007.• Certification to the Australian Forestry Standard (AS4708) will be achieved by July 2007 (subject to external financing).
Target 2	Production capacity	Production continues to increase towards nursery capacity.
Target 3	Asset management	<ul style="list-style-type: none">• Seed sales meet or exceed targets.• Seed collections meets target.
Target 4	Operational controls	Codes, manuals and procedures are developed and reviewed regularly.
Customer		
Target 1	Environmental management	New genotypes will not knowingly be deployed that exhibit weediness or reduced tolerance to pests and disease.
Target 2	Quality assurance	100% of product sales meet stated quality standards.
Target 3	Seed delivery	100% of seed delivered on time.
Target 4	Forest management	FMP implemented in native forests and plantations.
Target 5	Genetic quality	New genotypes will progressively demonstrate improvements in commercial and environmental traits over the period 2006/07.
Learning and Growth		
Target 1	Staff skills	See Strategy 3.3 – Corporate Services (page 20).

Strategy 3.3 Corporate Services

Corporate services include financial, business analysis, information technology and human resource services across the whole agency. The strategy for this support area is to:

Develop business partnerships to provide appropriate support to all areas of FPC in order to meet FPC's business needs.

Objectives

- Provide quality financial and management accounting services, business operations services, information technology and human resource systems appropriate and responsive to the FPC's business.
- Ensure an efficient and effective procurement and contract management service.
- Implement a structured and effective leadership and management training program.
- Prepare FPC for the introduction of the Shared Corporate Services Centre under the Government's Functional Review of corporate services.
- Implement a coordinated Human Resource management strategy, including staff development and retention.
- Ensure systems and processes are in place to maintain a safe workplace for all employees.
- Engage with third party training and education providers to achieve accreditation for FPC training.
- Implement IT management systems to provide efficient processing together with timely and meaningful management information.

Financial

- | | | |
|-----------------|---------------------------|--|
| Target 1 | Corporate earnings | <ul style="list-style-type: none"> • Earnings before interest and tax meet or exceed projected target. • Dividend meets or exceeds projected target. • Return on net assets (by asset class) meets or exceeds projected target. |
|-----------------|---------------------------|--|

Process

- | | | |
|-----------------|-----------------------|---|
| Target 1 | Performance of | <ul style="list-style-type: none"> • Information technology systems 99% "uptime". • Human resource systems 100% compliance by the agency with Public Sector Standards. • Contract management 100% compliance with appropriate standards. |
| Target 2 | OSH | <ul style="list-style-type: none"> • Implementation of a regular OSH monitoring system for FPC contractors. • Nil lost time injuries. |

Learning and Growth

- | | | |
|-----------------|------------------------------|---|
| Target 1 | Staff skills | <ul style="list-style-type: none">• All staff participate in the “Performance and Development Review System”.• Training and development programs developed for all staff.• Identified training is provided for staff and contractors.• Human Resource Strategic Plan developed which addresses planning, staff retention, training, succession planning etc. |
| Target 2 | Employee satisfaction | <ul style="list-style-type: none">• Employee satisfaction index improves over 2004/05 result. |

Customers

- | | | |
|-----------------|------------------------------|---|
| Target 1 | Customer satisfaction | <ul style="list-style-type: none">• Services meet internal customer expectations. |
|-----------------|------------------------------|---|

Environmental

- | | | |
|-----------------|---------------------------------------|--|
| Target 1 | Recycling and waste management | To comply with the State Government’s waste paper recycling program. |
| Target 2 | Energy conservation | <ul style="list-style-type: none">• To reduce dependence on fossil fuels by at least 12% by June 2007 through energy conservation and efficiency practices to meet the State Government’s Energy Smart Policy.• To reduce expenditure on energy by investing in a cost effective plan upgrade that has a simple payback return on investment of five years or less. |

Strategy 3.4 Research and Development

A strong focus on research and development underpins the operation of the FPC’s plantation and native forest businesses. Research is provided “in-house”, and through partnerships with research institutions including the Science Division of the Department of Conservation and Land Management, CSIRO, UWA and other universities, and in broad collaborations with industry through Cooperative Research Centres.

The FPC’s research and development activities are focussed on developing and proving the science that underpins the FPC’s strategic directions. Research activities focus on species selection for low rainfall areas, site selection for new plantations, proving the water table impacts of plantation establishment, carbon accounting and growth modelling and developing silvicultural systems that are appropriate for the Western Australian environment.

The primary focus for this support area is:

To provide access to a research and development program that is designed to provide technologies that maximise economic, environmental and social outcomes of FPC business.

Objectives

- Native forest management is demonstrably based on sustainable practices.
- Development of new land use systems that provide for the delivery of economic and environmental benefits in the medium rainfall zone.
- Demonstration of the benefits of tree farming activities on environmental objectives (salinity, carbon).
- Provision of strategic advice on the impact of FPC’s tree farming activities on achieving environmental objectives.
- Ongoing research into wood properties, utilisation and the value chain of forest products from both native forest and plantations.
- Recognition of FPC as an organisation operating on high standard of scientific information.
- Protect, and where possible, commercialise its intellectual property derived through its research and development activities.

Financial		
Target 1	External funding	Increase proportion of external funding to 25% of R&D expenditure, while maintaining a focus on FPC’s priorities.
Target 2	Financial management	Implement systems to ensure robust project costing tracking and performance monitoring.
Process		
Target 1	Alignment	Research projects are aligned with strategic goals.
Customer		
Target 1	Customer satisfaction	FPC recognised as a provider of high quality R&D.

Strategy 3.5 Strategic Business Development

Business Development is an area of FPC which develops and implements strategies, programs and projects for the identification and promotion of new and value added forest industries, products and services. The strategy for this area is:

"Develop internal and external business partnerships which support and develop FPC and the forest industry of Western Australia."

Business Development drives an organisational focus on Tree Farming and Industry Development planning in regional areas, investment attraction under a fee-for-service model, supply chain analysis together with the formulation of relevant partnerships, the development and delivery of stakeholder engagement strategy and corporate standards for business analysis.

A key deliverable is the coordination of program and project delivery across the organisation.

The nature of strategic and business development activity is reflected throughout the Strategic Development Plan and in particular the objectives and targets stated for each of the SDP strategies.

Objectives

- Communicate and develop partnerships with internal and external stakeholders to achieve the levels of engagement necessary to deliver on the objectives of this Strategic Development Plan.
- Position the FPC as a fee-for-service provider to those organisations which seek environmental and/or timber benefits from investment in Western Australian forestry.
- To address the issue of the future supply to the established sawlog industry in conjunction with the Department of Industry and Resources and the industry supply chain participants.
- Coordinate the FPC's activities under the *National Action Plan for Salinity and Water Quality* and for the promotion of triple bottom line outcomes through the agency's Tree Farming and Industry Development Plans.
- Identify and develop partnerships with key stakeholders in accordance with the objectives of the *National Action Plan for Salinity and Water Quality*.
- Support industry development with a focus on the creation of increased levels of downstream manufacturing timber values.
- Promote the adoption of tree farming for the achievement of environmental and social benefits in addition to providing economic outcomes.
- Expand tree plantations in Western Australia.
- Provide corporate standards for business analysis, program and project management delivery.
- Provide quality support services to the Minister, Commission and the Executive.

Financial		
Target 1	New plantation establishment	Increase investment and funding for tree crops.
Process		
Target 1	Efficiency of FPC resource deployment	Implemented Program Office and Project Management processes.
Target 2	Value adding and employment	Ensure customer compliance with contractual value adding commitments.
Target 3	Stakeholder engagement	Creation of beneficial partnerships for FPC and the Government.
Customer		
Target 1	Regional WA	Government endorsed Tree Farming Industry Development Strategy.
Target 2	Supply chain	Create financial and economic strength for industry participants.
Target 3	Fee-for-service	Strengthen existing relationships and obtain repeat business.
Learning and Growth		
Target 1	Business analysis	Establish corporate standards.
Environmental		
Target 1	<i>National Action Plan for Salinity and Water Quality</i>	FPC Strategic Tree Farming to be included in all relevant Regional Investment Plans.
Target 2	Corporate sector	Deliver opportunities for Government consideration.

Strategy 3.6 Resource Inventory and Planning

Comprehensive and accurate resource information provided in a timely manner is required for strategic and tactical planning of silvicultural activities and wood flow planning in plantations.

For the South West forests resource level determinations are made through the Forest Management Plan, and FPC's requirements are for the tactical planning of harvesting. In Arid forests FPC's requirements are for resource level and sustainability management.

Current practice is to use plantation inventory systems to provide information required for detailed resource allocation and optimisation. FPC's systems do not have these capabilities. For effective silvicultural management and wood flow planning for plantations requires close interaction between the resource inventory, wood flow planning and operational management functions. It is considered that all these functions would be most effectively provided "in-house" within FPC. Integration of these activities within FPC will optimise management of plantation forests for economic, environmental and social benefits.

It is proposed to invest in the development of a cost effective "in-house" approach for the inventory and planning function of FPC plantation forests. This will replace most of the services provided by CALM for the plantations area under the current service provider arrangement.

There may be opportunities for FPC to internally deliver more of the planning services through an expanded inventory capability.

Continuing the extensive inventory of the native sandalwood resource is crucial for the long-term sustainability of that industry.

The aim is to enable the strategic establishment, utilisation, supply and distribution of plantation resources and maximise revenue returns.

The primary aim of this support area is:

To provide a comprehensive knowledge of the current and projected condition and extent of forests in Western Australia that will allow the efficient, and sustainable management and optimal utilisation of these resources. This will be based on resource information provided by up to date, cost effective inventory and planning tools and systems.

Objectives

- Effective delivery of resource information in native arid and plantation forests.
- Provision of accurate and reliable spatially based information storage and retrieval systems for plantation data.
- Delivery of strategic planning information to management.

Financial		
Target 1	Systems	Develop and implement new plantation inventory and planning systems in a cost effective manner.
Target 2	Biometrics	Develop biometric support tools for inventory and planning: prediction equations (stem volume, biomass and carbon mass, stem taper functions and growth models).
Target 3	Management (plantations)	Manage delivery remaining plantation inventory and GIS services provided on contract by CALM to provide the required services effectively and on budget.
Target 4	Management (native)	Manage the native forest inventory systems provided on contract by CALM to provide the required services effectively and on budget.
Process		
Target 1	Utilisation	Identify opportunities for the improved utilisation of the State's timber resources.
Target 2	Sustainability	Knowledge of the State's timber resources is used to develop sustainable native and plantation systems.
Target 3	Carbon inventory	Carbon resources are measured and available for commercialisation.
Customer		
Target 1	Timber industry	Delivery of accurate information on timber yield and supply to enable effective strategic investment in processing infrastructure. Wood flows are optimised on the basis of both market and supply considerations.
Target 2	Operations managers	Delivery of accurate resource information to enable both strategic and tactical planning decisions on plantation management and harvesting operations.
Target 3	Environmental systems	Establishment of an effective hydrological monitoring system that measures progress on the delivery of hydrological benefits.

Pricing Principles

Section 59 of the *Forest Products Act 2000* describes the components that must be included when setting prices for the sale of forest products.

This essentially forces prices to cover the cost of growing the forest, the cost of production and delivery, as well as a profit component. Such calculations can be made on a whole-of-forest basis, but their relative prices established to reflect a differential between log grades and therefore market conditions. Prices for most plantation logs and industrial logs from native forest are set by State Agreement Acts and negotiation, while prices for native forest sawlogs are established by general review. Half-yearly or annual movements are then applied in line with agreed indices reflecting CPI or end product markets (silicon or timber).

Prices for log timber supplied to customers are an aggregated price comprising the cost of log harvesting and delivery together with the “stumpage” component. The “stumpage” component represents the return on the investment to the grower.

For plantation timbers “stumpage” represents the total cost of growing plus a margin. In the case of native forest products, “stumpage” has been determined by Government and reviewed periodically. Stumpage rates are adjusted either annually or half yearly in line with various indices.

Stumpage prices for native forest products are based on the “cost of growing” following periodic reviews and are adjusted either annually or half yearly based on a CPI calculated by the Australian Bureau of Statistics. The prices for charlogs are adjusted half-yearly based on movements in international silicon metal prices. All customers pay the same price for the same grade of logs unless they have won small parcels or contracts through auction or open tender, in which case the price is set by the auction or tender.

Prices for native forest products have been reviewed in accordance with Government policy and increased cost implication under the new Forest Management Plan, which has resulted in increased sawlog prices under new 10 year sale contracts. Government has approved compounded price increases for jarrah first and second grade sawlogs of six percent, six percent and five percent in 2005/06, 2006/07 and 2007/08 respectively. Karri first and second grade sawlogs have also been subjected to recent compounded price increases. Both jarrah and karri first and second grade sawlogs are indexed annually to CPI (all groups Perth).

Stumpage prices for pine sawlogs were initially established through benchmarking with other States and log tenders. They are varied on a six monthly basis in accordance with the Wespine index which is linked to the market value of the timber products.

Stumpage prices for industrial wood are set out in the *Wood Processing (Wesfi) State Agreement Act 2000* and are varied on a three yearly basis.

Stumpage prices for other plantation products have been established through competitive tendering and are varied through different indexation mechanisms.

In addition to stumpage values prices include the cost of harvesting and delivery when forest products are sold at roadside or mill door. Harvesting and delivery prices reflect the actual contract costs which are varied each six months according to the contractual conditions. Harvesting rates are obtained through open tender.

Prices for seeds and seedlings are set in accordance with Treasury publication “Costing and Pricing Government Outputs” and National Competition Policy.

Charges for “fee-for-service” forest management services are developed to ensure full cost recovery is achieved, including overheads plus a suitable margin.

Accounting Policies

The Commission's financial statements are prepared in accordance with Australia Accounting Standards, as detailed in the Financial Statements included in the Commission's Annual Report.

Performance Reporting

The Forest Products Commission will provide the Minister for Agriculture and Forestry with written half-yearly and annual reports summarising progress made in fulfilling the intentions of this Statement.

Half-yearly reports will be submitted to the Minister in accordance with Section 19 of the *Forest Products Act 2000*. Half-yearly reports will be the mechanism for measuring the performance against the Statement of Corporate Intent and will include comments on variations from expected performance for the indicators.

As part of this report the Commission will provide information on its balance sheet, profit and loss, cash flow and capital expenditure.

In addition to the half-yearly report the Commission will advise the Minister of any significant variations in the performance of the Commission and of any factors that may prevent the agreement being fulfilled or necessitate its re-negotiation.

Annual Report

The annual report will contain:

- a report on operations;
- a copy of financial statements for the financial year;
- the Chairman's statement;
- a copy of the Auditor General's report on the financial statements;
- a copy of an order of the Treasurer for relief from the requirements relating to accounts, consolidated accounts or Chairman's report;
- comparison of performance with this Statement of Corporate Intent;
- particulars of any direction given by the Minister and its impact on the financial position, profits and losses and prospects of the Commission; and
- a summary of reports to the Commissioner for Public Sector Standards on the observance by members of staff on any code of conduct.

Appendix A Potential Additional Business Opportunities and Revenue Streams

The Commission has applied considerable effort in its endeavours to pursue forestry business opportunities to enhance its profitability. Steady progress has been made on this front and some projects are now at an advanced stage.

As noted earlier the Commission's financial forecasts contained in this document are "base case" and do not include the effect of potential net revenues which would be accruing from new business ventures.

The table below outlines business projects which are rated as having a good chance of being successful.

Project Description	Value \$'000	Year
Sale of 2,000 tonnes per annum of native forest crown logs	78	2006
Sale of 20,000 tonnes per annum of native forest third grade timber	340	2006
Sale of 100,000 tonnes of export industrial timber	800	2007

Appendix B Community Service Obligations

As mentioned under Section 7 above, in order to meet the provisions of Sections 10 and 12 of the *Forest Products Act 2000*, the Commission has a number of projects and operations priced at levels other than those that would be received and/or paid were the Commission able to operate fully in the “free market”, i.e. without the limitation of various State Agreements and/or the requirements to ensure local value adding, the protection of local employment etc. For ease of reference these activities are referred to in this document as “non-commercial” activities.

To ensure the FPC’s performance is accurately measured and understood it is imperative that these non-commercial activities be correctly identified and reported. This will allow for a clear recognition of the FPC’s financial performance, together with the financial cost of delivering other value and benefits to the State.

The Treasury does, in some cases, directly compensate agencies where the Government explicitly requires that an agency undertake a non-commercial activity – referred to as “Community Service Obligations” (CSOs). An example of this is in Western Power where the cost of providing electricity rebates to pensioners is directly reimbursed back to Western Power by Treasury.

The Treasury has developed a formal policy including a definition of Community Service Obligations. With the one exception, relating to debt servicing costs of 50 per cent of the native forest debt incurred prior to the formation of the FPC, it would not appear that any other activities of the FPC would successfully qualify for a request for CSO reimbursement.

Recent discussions with DTF and considerable debate within the FPC with regards to these non-commercial activities necessitate that:

- (a) all non-commercial activities be clearly identified and their purpose understood;
- (b) where genuine grounds exist for an activity to be considered as a CSO, action is taken to pursue reimbursement from Government; and
- (c) systems are set up to quantify and record forgone revenue and/or costs incurred in undertaking these activities.

Appendix C

Forecast Financial Statements 2006-07

- C1 Income Statement
- C2 Cash Flow
- C3 Balance Sheet
- C4 Financial Ratios

Appendix C1

Forecast Income Statement 2006-07

	2006-07 \$000
Gross Operating Income	113,068
CSO Income	2,370
Total Income	115,438
Total Expenditure	106,731
Operating Profit before Interest and Tax	8,707
Interest payable	6,907
Operating Profit before Tax	1,800
Taxation	0
Net Profit after Tax	1,800
Retained Profits brought forward	20,394
Statutory Dividend	0
Retained Profits	22,194

Appendix C2

Forecast Statement of Cash Flow as at 30 June 2007

	2006/07 \$000
Operating Cash Flows	
Receipts	112,202
Payments	124,500
Net cash flow from operating activities	(12,298)
Investing Activities	
Receipts	2,291
Payments	751
Net cash flow from investing activities	1,540
Financing Activities	
Proceeds	5,500
Repayments	5,092
Net cash from financing activities	408
Funding from/(to) Government	
Proceeds from Government -	
Commonwealth	10,369
State	0
Total proceeds from Government	10,369
Payments to Government -	
Dividend to State Government	0
Net cash from/(to) Government	10,369
Total cash flow for the period	19
Opening Cash Balance	226
Statement of Cash Balance	245

Appendix C3

Forecast Balance Sheet 30 June 2007

	2006/07 \$000
Current Assets	
Cash	1,370
Inventories	4,715
Receivables	15,921
Other	(3,824)
Total Current Assets	18,182
Non Current Assets	
Land	5,597
Buildings	3,866
Infrastructure	11,908
Plant, equipment and other	6,453
IFRS – biological assets	337,536
Other	26,688
Total Non Current Assets	392,048
TOTAL ASSETS	410,230
Current Liabilities	
Payables	4,578
Interest-bearing liabilities (Borrowings)	4,725
Employment entitlements	3,885
Other	18,568
Total Current Liabilities	31,756
Non Current Liabilities	
Interest-bearing liabilities (Borrowings)	89,003
Employee entitlements	1,153
Other	26,733
Total Non Current Liabilities	116,889
TOTAL LIABILITIES	148,645
Equity	
Contributions	229,755
Contributions from Consolidated Fund	7,411
Accumulated Surplus/deficit c/f	22,194
Accumulated Surplus	259,360
Asset revaluation reserve	2,225
TOTAL EQUITY	261,585

Appendix C4

Financial Ratios as at 30 June 2007

Ratio	2006/07
$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	0.57
$\frac{\text{Total Borrowings}}{\text{Total Equity}}$	35.8%
$\frac{\text{Net Profit after Tax}}{\text{Total Assets}}$	0.44%
$\frac{\text{Net Profit before Interest and Tax}}{\text{Total Assets}}$	2.12%
$\frac{\text{Profit before Tax}}{\text{Income}}$	7.5%
$\frac{\text{Total Dividends}}{\text{Total Equity}}$	0.00%
$\frac{\text{Expenditure}}{\text{Income}}$	98%

Appendix C5

Segment profitability by “main business segment”

Year	South- West Forests	Arid Forest	Plant Propagation	New Plantations	Mature Plantations	Business Development	Corporate & Business Support	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2006/07	7,890	5,095	(1,367)	(1,686)	11,582	(3,726)	(15,988)	1,800

Note: Above profit/(loss) forecast is before tax, dividend and SGARA valuations.

Glossary

A number of terms are used in this document that have different interpretations in different contexts. The way in which we have used these terms in this document reflects the following meanings:

Vision	The long-term desired state of the business.
Mission	FPC's role in achieving this vision.
Goal	High level direction for each major segment of business.
Strategy	Planned business activity to achieve each goal.
Objective	Specific aim or intended result of each strategy.
Measure	Quantifiable indicator of progress towards the objective.
Target	The time-bound and quantified performance aim for each measure.